

## Message Text

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ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 AGR-10 AID-05 CIAE-00 COME-00

EB-07 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04

OPIC-06 SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 L-03 H-02 PA-02 PRS-01 /117 W

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R 251016Z JUL 75

FM AMEMBASSY ACCRA

TO SECSTATE WASHDC 8472

INFO AMEMBASSY ABIDJAN

AMEMBASSY ADDIS ABABA

AMEMBASSY COTONOU

AMEMBASSY DAKAR

AMEMBASSY FREETOWN

AMEMBASSY KINSHASA

AMEMBASSY LAGOS

AMEMBASSY LOME

AMEMBASSY LONDON

AMEMBASSY MONROVIA

AMEMBASSY NAIROBI

AMEMBASSY NIAMEY

AMEMBASSY OUGADOUGOU

AMEMBASSY PARIS

UNCLAS ACCRA 4773

LAGSO ALSO FOR AGATT

E. O. 11652: N/A

TAGS: EALR ECON GH

SUBJ: GHANA'S FY 75-76 BUDGET

REFS: (A) ACCRA 4774, 8/29/74 (NOTAL) (B) ACCRA 4774

1. SUMMARY. GOG FY 75-76 (BEGIN 7/1/75) BUDGET "PROPOSAL"  
ISSUED LAST WEEK. SHARP INCREASE OVER LAST YEAR IN CURRENT  
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AND CAPITAL EXPENDITURES AND IN REVENUES, LATTER LARGELY

DUE TO MAJOR TAX INCREASES. BILLED AS BUDGET HITTING  
THE RICH ESPECIALLY, IT CALLS FOR SACRIFICES FROM ALL.  
END SUMMARY.

2. IN MILLION CEDIS, BUDGET PROPOSALS SUMMARY (DOL 1.00  
EQUALS CEDI 1.15; CEDI 1.00 EQUALS DOL 0.87):

	PERCENT		
	FY 74-75	FY 75-76	INCREASE
NON-DEBT CURRENT EXPEND	554	689	24
TOTAL RECURRENT EXPEND	716	876	22
TOTAL REVENUE	709	872	23
CURRENT ACCT BALANCE	(7)	(4)	--
DEVELOPMENT (CAPITAL) EXPEND	246	322	31
INCL FOR AGRICULTURE	22	37	68

3. BUDGET DOCUMENT CLAIMS (UNSPECIFIED) ACROSS-THE-BOARD  
CUT OF 10 PERCENT IN ALL DISCRETIONARY NON-DEBT EXPENDITURES  
FROM ORIGINAL PLANNED LEVEL, AND ATTRIBUTES MOST OF  
EXPENDITURE RISE TO INFLATION. (BUDGET ADMITS 18.4 PERCENT  
CONSUMER PRICE INDEX INCREASE IN CY 74.)

4. BUDGET ASSUMES CONTINUED "LOWER" COCOA AND TIMBER PRICES  
AND OIL PRICE RISE; REVENUE BUDGET ASSUMES MAJOR DROP IN  
COCOA EXPORT DUTY COLLECTION. A NUMBER OF SIGNIFICANT TAX  
INCREASES AND NEW TAXES HAVE BEEN INSTITUTED. IN ADDITION,  
BUDGET CALLS FOR, AND ASSUMES, BETTER REVENUE COLLECTION AND  
"RE-ORIENTATION OF PUBLIC BOARDS AND CORPORATIONS TO ENFORCE  
FINANCIAL DISCIPLINE."

5. MANY IMPORT DUTIES AND LEVIES SHARPLY UP, NOTABLY ON CONSUMER  
DURABLES (RATES ON INCREASED ITEMS WENT FROM 15-TO-70 PERCENT  
RANGE TO 20-TO-200 PERCENT RANGE). ALSO SHARP RISE IN MANY  
EXCISE DUTIES ON LOCAL PRODUCTS; THOSE WHICH HAVE DRAWN MOST  
ATTENTION RAISED RETAIL PRICE OF BEER 36 PERCENT (TO CEDI  
0.95 FOR LARGE BOTTLE) AND RETAIL PRICES OF PETROLEUM PRODUCTS  
AS FOLLOWS, CEDIS PER IMPERIAL GALLON:

	PERCENT	
	OLD PRICE	NEW PRICE INCREASE
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REGULAR GASOLINE	1.10	1.40	27
PREMIUM GASOLINE	1.20	1.60	33
"GAS OIL" (DIESEL)	0.80	1.00	25
KEROSENE	0.75	1.00	33

(AS DIRECT RESULT OF FUEL PRICE RISE "TRO-TRO" PASSENGER TRUCK,  
A MAJOR MEANS OF TRANSPORT - AND TAXI FARES WERE RAISED 25  
PERCENT JULY 22.) INCOME TAXES WERE CHANGED AS FOLLOWS:

RATES (PERCENT)			
		OLD	NEW
COMMERCIAL FIRMS (STRAIGHT RATE)		55	65
INDUSTRIAL FIRMS (STRAIGHT RATE)		50	55
FARMING FIRMS (STRAIGHT RATE)		50	NO CHANGE
PERSONAL, INCOMES OVER CEDI 3600/YR			
(EXAMPLE, HIGHEST BRACKET - OVER			
CEDI 14,400)		70	75

STANDARD ASSESSMENTS FOR SELF-EMPLOYED (FROM WHICH INCOME TAXES ARE ADJUSTED) IN MOST CASES UP SHARPLY; IN EXTREME CASE OF OWNERS OF FASHION HOUSES AND BOUTIQUES, IT IS 700 PERCENT INCREASE. CAPITAL GAINS TAX IS REINTRODUCED, AT RATES 15 TO 55 PERCENTN DEPENDING ON LENGTH OF TIME PROPERTY HELD. A GIFT TAX IS INTRODUCED AT 5 TO 15 PERCENT RATES. STAMP DUTIES RAISED, GENERALLY 100 PERCENT. TOTAL TAX CHANGES EXTIMATED TO PRODUCE ADDITIONAL CEDIS 125 MILLION REVENUE.

6. DIVIDENDS PREVIOUSLY TAXED 55 PERCENT AT SOURCE, BUT THEN THIS ALLOWED AS INCOME TAX CREDIT. DIVIDENDS TAX HAS BEEN DROPPED, BUT DIVIDENDS TO BE INCLUDED AS ORDINARY INCOME FOR TAX PURPOSES.

7. DETAILS OF EXPENDITURES MUST AWAIT PUBLICATION OF "ESTIMATES" FOR INDIVIDUAL MINISTRIES. BUDGET DOCUMENT EMPHASIZES ROLE OF AGRICULTURE IN DEVELOPMENT BUDGET ("POLICY... TO KEEP AGRICULTURE AT CENTER STAGE"). GIVEN AS GOALS "EXPANSION OF PRODUCTIVE CAPACITY BY DIRECT GOVERNMENT INVOLVEMENT IN THE PRODUCTIVE SECTORS," IMPROVEMENT OF INFRASTRUCTURE, AND INCREASE IN LABOR PRODUCTIVITY. BY DIRECT CONTRAST WITH FIRST OF THESE, DOCUMENT ALSO STATES "TIME HAS COME...TO RE-EXAMINE AREA OF DIRECT (GOVERNMENT) UNCLASSIFIED

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OPERATIONS WITH A VIEW TO DIVESTING...SUCH ACTIVITIES AS (GOVERNMENT) COULD WITH ADVANTAGE LEAVE TO THE PRIVATE SECTOR... AS A FIRST STEP..., GOVERNMENT HAS DECIDED TO TURN OVER TO PRIVATE ENTERPRISE ITS PRESENT DIRECT OWNERSHIP OF FOOD PRODUCING ORGANIZATIONS."

8. OTHER SIGNIFICANT POLICIES ANNOUNCED IN BUDGET DOCUMENT INCLUDE:

(A) INCREASED INTEREST RATES: MINIMUM DEPOSIT RATES GO FROM 5.0 TO 7.5 PERCENT; CEILING ON GENERAL LENDING RATES RISED FROM 10.0 TO 12.5 PERCENT. (AGRICULTUREAL RAGE CEILING IS 8.5 PERCENT, EXCEPT WHERE FUNDS ARE RE-LENT FROM OTHER INSTITUTIONS, IN WHICH CASE IT MAY BE HIGHER.)

(B) SUBSIDIES TO REMAIN ON AGRICULTURAL INPUTS (FERTILIZERS, SPRAYS AND THEIR EQUIPMENT, SEEDS, ETC.) BUT TO END ON

PETROLEUM PRODUCTS.

(C) HOPE TO OBTAIN "SUBSTANTIAL PART" OF CAPITAL BUDGET FROM  
NON-BANKING SECTOR BORROWING (I.E., GOVERNMENT BONDS).

(D) ATOMIC REACTOR TO BE "REACTIVATED."

9. BUDGET DOCUMENT CITED EXTERNAL CURRENT ACCOUNT DEFICIT  
OF CEDIS 224 MILLION AT 12/31/74, WITH CY74 IMPORTS HAVING  
RISEN 79 PERCENT OVER CY 73 LEVEL, TO CEDIS 944 MILLION  
(FY 73 SHOWED 34 PERCENT RISE OVER PREVIOUS YEAR). DOCUMENT  
CITES "SLOW DOWN" IN IMPORTS FIRST QUARTER OF CY 75. (WE NOTE  
GOG DATA REPORT APPROXIMATELY EQUAL LEVEL OF IMPORTS FIRST  
QUARTERS 1974 AND 1975 -- WHICH, OF COURSE, IS A SLOW-DOWN  
IN TREND.)

10. 75-76 BUDGET DESCRIBED BY GOG AS "RICH MAN'S BUDGET"  
(I.E., SOAK THE RICH). PUBLIC EMPHASIS HAS BEEN CALLING  
ON NECESSARY SACRIFICES BY ALL.

11. COPIES BEING SENT DEPARTMENT UNDER CERP-PUB 015;  
ADVANCE COPY SENT AF/W. COMMENTS SEPTTEL.  
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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
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**Disposition Approved on Date:**  
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**Disposition Case Number:** n/a  
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